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RUEHPO/AMEMBASSY PARAMARIBO PRIORITY 1102
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RUEHSP/AMEMBASSY PORT OF SPAIN PRIORITY 1802
RUEAIIA/CIA WASHINGTON DC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUEHC/DEPT OF LABOR WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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STATE FOR WHA/CAR, EB/IFD/OMA; USSOUTHCOM ALSO FOR POLAD;
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SUBJECT: DOMINICAN POLITICS III #26: METRO PROJECT PLANS,
SAFETY, FINANCES, COSTS

1. (U) This is the cable 26 in our series on Dominican
politics in the third year of the administration of President
Leonel Fernandez.

Political Series III, 26:
The Santo Domingo Metro - Plans, Safety, Finances, Cost

Two investigative journalists prominent in the Dominican
media have forced onto the table facts about President
Fernandez's favorite project, the Santo Domingo Metro.
Because of the rush to construct, Metro authority OPRET
neglected seismic studies and other safety concerns; and the
President and his technicians have not been frank about
construction costs. By the time the Metro opens, perhaps in
February, 2008, expenditures and financing will have reached
at least USD 1.29 billion -- almost triple the casual initial
estimates and more than double the figure of USD 550 that
Fernandez was using just before he won the May 16 PLD primary.

The Train of Happiness

In his February 2005 National Day speech Leonel Fernandez
gaily urged the nation to board the "train of happiness" of
the Santo Domingo Metro and on August 16, 2006 he invited
congressional representatives to board with him in February,
2008 --with the jovial warning, "No snack foods will be
allowed!" Under the driving force of Ing. Diandino Pena the
work and contracting has gone forward with essentially no
transparency in the planning and general silence about the
costs of the megaproject.

Spotlight: Planning and Safety

That has changed, thanks to two leading media figures. As reported earlier via SIPRNET, broadcast journalist Huchi Lora successfully sued in Santo Domingo court to obtain an order for Pena and the Office for Transport Reform (OPRET) to deliver immediately "a copy of plans approved by the Ministry of Public works concerning the construction of various works related to the Santo Domingo Metro, including the elevated tracks in Villa Mella, the reinforcement of the tunnels; the peripheral avenue along the Isabelita and Ozama rivers; as well as copies of the related geophysical and geotechnical studies, including specifically, seismic studies measuring the transmission of shock waves along the length of the planned route, studies of electrical resistance used to identify the presence of caverns and clay formations beneath the tunnel floor; geo-radar studies to identify the presence of pipelines throughout the route; and the effects of seismic acceleration estimated for the Villa Mella neighborhood in the event of an earthquake of measuring greater than 7 on the Richter scale."

OPRET has huffed and puffed and filed an appeal, despite the court's instruction for immediate delivery. Pena reportedly commented to journalists on May 13 that it was impossible to comply with the instruction, simply because some of the elements required did not exist. Other similar studies were on hand, but not the items Huchi was asking for.

Thereby acknowledging that Huchi was probably correct - that the rush to dig and to contract led the authorities to neglect at least some of the safety measures that might conceivably have been necessary. And the implication that the Public Works Ministry was complicit in the risk taking.

This was a dramatic illustration of the potential usefulness of the 2004 Law on Access to Public Information. To summarize one writer's comments, it used to be that the Congress would simply pass laws and the government would take actions, without bothering to ensure compliance with the law. Now, a court is requiring the executive branch to account for its actions.

And the Cost?

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The country's leading commentator and broadcast journalist, Juan Bolvar Daz, made a back-of-the-envelope tabulation of international financing packages requested of Congress and compared his figures both with Diandino Pena's estimate of USD 326.6 million in costs (February 7, 2005) and with President Fernandez's throw-away estimate of USD 550 million, made at a luncheon at HOY newspaper, just before his victory the May 6 PLD primary.

Daz notes that the original 10-kilometer project was extended another 4 kilometers northward with the elevated trackway in Villa Mella; using the per-kilometer estimate given earlier by Pena, Daz reasons that the cost would have risen by USD 40 million, to USD 366.6 million. But in December, 2005 Pena told El Caribe reporters that the whole project would cost about USD 700 million.

EuroMoney

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News reports document have successive approaches to the Senate of international financing for the project: two approved on July 25, 2006, for 101.9 million euros and another for 14.145 million euros (total: 116.55 million euros); on December 30, 2006, approval of four more from financial institutions in Germany, France and Spain, totaling 163.2 million euros (respectively, 40.78, 56.46, 28.45 and 37.9 million euros). Presented by the administration in March, 2007 and still under study are three further financing packages from Germany and France for Metro equipment for 99 million euros, 94.3 million, and 33.1 million (total of the three: 226.4 million euros).

All of that, at a Euro/dollar rate of 1.35 to 1, makes USD 682.630 million. Plus the 2007 budget assigns 10.7 billion pesos for the Metro, part of which is to be covered with Spanish export financing of 53.6 million euros - converted to dollars and added to the other amounts, this suggests a sum only for international financing equivalent to USD 754.9 million.

All of these contracts were awarded quickly and on basis of limited competition, before Fernandez's "bridge decree" on government procurement went into effect in June, 2006.

Dominican Pesos into the Metro Hole

Investigator Daz acknowledges that expenditures from the government budget are difficult to estimate because of the discretion of the president's office to transfer between items up to 5 percent of the total budget. He takes as a base the July 2006 published report of OPRET that 4.577 billion pesos in government resources had been invested to that point, and he guesses that another 4 billion were used during the rest of 2006, in addition to the 3.6 billion in the budget. Working forward, he calculates that by 2008 the domestic costs will have reached the equivalent of USD 539.29 million.

Bottom line estimate: USD 1.294 billion

The almost USD 1.3 billion figure is 135 percent more than Fernandez's casual comment and almost three times as much as Pena's initial estimate. Daz comments that if the project is delivered for that amount it will come out at USD 94 million per kilometer, in fact considerably less than the USD 127.9 million per kilometer cost of the Metro in San Juan, Puerto Rico.

Those are the capital costs. Metro fares haven't been published, and neither Juan Bolvar Daz nor anyone else has calculated how much will be required in subsidies actually to operate the trains.

- - Drafted by Michael Meigs

12. (U) This report and extensive other material can be consulted on our SIPRNET site, <http://www.state.sgov.gov/p/wha/santodomingo/>
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